GEORGE E. PATAKI
GOVERNOR

NEW YORK STATE
HIGHER EDUCATION SERVICES CORPORATION
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PETER J. KEITEL
PRESIDENT

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October 1, 2002

OFFICE OF THE STATE COMPTROLLER
OCT 3 - 2002
ROBERT H. ATTMORE
DEPUTY COMPTROLLER

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Ms. Patricia Martin
President
Katherine Gibbs School
50 West 40th Street
New York, NY 10018

Dear Ms. Martin:

We have received a copy of the New York State Office of the State Comptroller's (OSC) Audit Report No. 2001-T-5 dated August 29, 2002, regarding Tuition Assistance Program (TAP) payments at Katherine Gibbs School.

This audit was performed to test Katherine Gibbs School's compliance with certain provisions of law and regulation. As stated in the OSC report, the results of this audit showed that from the records reviewed Katherine Gibbs School was generally in compliance with these provisions. HESC commends the school for their efforts in complying with the rules and regulations governing the TAP program.

However, this audit identified certain awards that must be disallowed based on program regulations. HESC accepts the recommendation contained in this audit report and, therefore, demands immediate payment of $232,638.00, based upon the audit for the 1998-1999 through 2000-2001 academic years.

This payment should be forwarded to the Corporation within 30 days of this letter. If full payment is received within the 30 days, no interest will be charged. If payment is not made within 30 days, interest will be charged at the rate of 6% pursuant to §18 of the State Finance Law.

If we do not receive the refund required by this letter within 45 days of the date of this letter, all TAP funds payable to the school are subject to offset. To avoid any possible offset, the school must enter into a repayment agreement for the full amount of the disallowance and applicable interest within the 45 day period.

Because much of the basis for the disallowance pertains to substantive areas beyond HESC's jurisdiction, no formal hearing will be held. You are, however, entitled to dispute that portion of the disallowance which relates to substantive issues within HESC's jurisdiction (Students Not Meeting Residency Requirements) under the provisions of Section 2007.4 of the regulations of the Corporation (8NYCRR Section 2007.4). To do so, you

must submit a written response to the Corporation supporting your position on those issues and include any documentation you wish to have considered. This response must be mailed to or personally served upon the Corporation at its offices at One Commerce Plaza, Albany, New York 12255, within 15 days of your receipt of this letter. HESC will act upon your submission within 20 days of the service of your response and accompanying documentation. HESC's determination, after this review, will constitute a final agency determination.

If you wish to arrange for payment of the amount due, or have any questions regarding the matter raised in this letter, you or your attorney may contact Mr. Anthony Pietrafesa, Associate Counsel at (518) 474-3219.

Sincerely,

Pierre L. Alric
Executive Vice President

cc: J. Duncan-Portier (SED)
R. Attmore (OSC)

/mac